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ABSTRACT

Research on effectiveness of welfare-to-work approaches shows programs that combine approaches--job search assistance and education and training--have better employment and earnings outcomes than either approach alone. Consistent with findings and the work focus of the Personal Responsibility and Work Opportunity Reconciliation Act, states have been revising welfare programs to focus on moving people into employment rather than providing monthly cash assistance. States often expect clients to test the job market for a time before providing other services. Education and vocational training are largely reserved for those who need it to get or keep a job or to advance on a career ladder. As welfare agencies focus more on moving clients into jobs, goals and operations of the welfare system have become increasingly similar to those of the work force development system. The two systems are working more closely to meet needs of Temporary Assistance for Needy Families (TANF) clients. A review of seven state-sponsored studies and a recent nationwide study show that most adults who left welfare were employed at some time; many have returned to the welfare rolls. As welfare reform continues to evolve, attention should be paid to emerging challenges: develop ways in which systems can help the hardest-to-employ get and keep a job; enhance opportunities for low-wage workers to maintain employment and increase earnings; and develop ways to foster greater collaboration between the workforce development and welfare systems to meet employment needs of TANF clients. (YLB)

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WELFARE REFORM

States' Implementation and Effects on the Workforce Development System

Statement of Cynthia M. Fagnoni, Director
Education, Workforce, and Income Security Issues
Health, Education, and Human Services Division

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Welfare Reform: States' Implementation and Effects on the Workforce Development System

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss our work on welfare reform and its implications for the nation's workforce development system. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) (PRWORA) significantly changed the federal role in providing assistance to needy families with children. While the previous federal welfare program, Aid to Families With Dependent Children (AFDC), provided families with cash assistance for an indefinite period, the new one, Temporary Assistance for Needy Families (TANF), provides benefits for a time-limited period and focuses on putting clients to work. By the time PRWORA was enacted, many states were already engaged in reforming their welfare systems using AFDC waivers, but TANF's emphasis on work has given welfare agencies a new focus–one that has long been the province of the workforce development system.[1] Bringing together two traditionally separate systems—welfare and workforce development—to address the employment goals of welfare reform could represent an effective way to make the best use of each system's expertise and resources. In fact, historically, about a third of the participants in the nation's primary workforce development program for economically disadvantaged adults—the Job Training Partnership Act (JTPA) Title IIA program—have been welfare recipients. To help foster the linkage and focus assistance on welfare's hardest-to-employ, 1 year after enacting welfare reform legislation the Congress created the $3 billion Welfare-to-Work grant program. Throughout the course of welfare reform, the workforce development system has also been reforming its service delivery system—establishing one-stop career centers in an effort to make it easier for all clients, including those on cash assistance, to access services. The Workforce Investment Act of 1998 (P.L. 105-220) included a provision that this one-stop career center system be used in all local areas nationwide to deliver many federally funded employment and training services.

These federal reforms, which in many ways built upon state reforms and innovations, represent significant departures from previous policies for helping the nation's vulnerable populations get and keep jobs. Since PRWORA was enacted, we have answered numerous congressional requests for information with reports on how states have changed their welfare

[1]For this testimony, we define the "workforce development system" as the state or local entity responsible for administering programs that originate through the Department of Labor, such as the state Employment Service or Job Training Partnership Act programs; "welfare system" is defined as the state or local entity responsible for administering programs that originate through the Department of Health and Human Services (HHS), such as the previous Job Opportunities and Basic Skills (JOBS) training program and the TANF program.

programs, the relationship between states' welfare systems and workforce development systems, and on what is known about the status of families who have left welfare. In addition, today we are releasing a report, required by the Higher Education Act of 1998,[2] examining research on effective welfare-to-work approaches. Because of your interest in these issues, my testimony today will summarize findings from reports examining the early outcomes of states' reforms, with an emphasis on the extent to which the workforce development and welfare systems are working together to address the goals of welfare reform. Specifically, I will discuss (1) what is known about the effectiveness of various approaches for moving welfare recipients into jobs, (2) how states are implementing welfare reform, (3) what state-sponsored studies tell us about the status of those leaving welfare,[3] and (4) the challenges that lie ahead as welfare reform continues to evolve.

In summary, research conducted to date on the effectiveness of different welfare-to-work approaches—most of which pre-dated federal welfare reform—suggests that programs that combine approaches, including both job search assistance and some education and training, tended to have better outcomes in terms of employment and earnings than either approach alone. Consistent with these findings and the work focus of PRWORA, states have been revising their welfare programs to focus on moving people into employment rather than providing them monthly cash assistance. To better support this new work focus, many states are changing how they do business. Clients are often expected to "test the job market" for a period of time before many other services are provided. Education and vocational training are largely reserved for those who need it to get or keep a job or to advance on a career ladder. As welfare agencies nationwide have focused more on moving clients into jobs than on providing them cash assistance, the goals and operations of the welfare system have become increasingly similar to those of the nation's workforce development system. The two systems have begun to work more closely together to meet the needs of TANF clients, although for the most part the systems are still largely independent. Our review of seven state-sponsored studies and a recent nationwide study show that most of the aduits who left welfare were employed at some time after leaving the rolls, usually in low-paying jobs, and that many have returned to the rolls. As welfare reform continues to evolve, attention should be paid to emerging challenges, such as

[2]See Welfare Reform: Assessing the Effectiveness of Various Welfare-to-Work Approaches (GAO/HEHS-99-179, Sept. 9, 1999).

[3]For the purpose of this statement, the term "welfare" refers to cash assistance received under AFDC or TANF.

- developing ways in which the systems can help the hardest-to-employ get and keep a job;
- enhancing opportunities for low-wage workers to maintain employment and increase their earnings; and
- developing ways to foster greater collaboration between the workforce development and welfare systems, such as through one-stop career centers, to meet the employment needs of TANF clients.

Background

For at least 30 years, states' welfare and workforce development systems have been collaborating to various degrees to provide employment and training services to welfare clients. The requirement for states to administer employment and training programs for their AFDC clients began in 1967 with the Work Incentive (WIN) program, which was jointly administered at the federal level by the Department of Labor and HHS and at the state and local levels by the workforce development system's Employment Service and by public welfare offices. Starting in 1981 with WIN demonstration projects, states were given greater flexibility to design their programs and could begin to require clients to work. States could also opt to give welfare agencies full responsibility for administering their welfare-to-work programs instead of sharing responsibility with Employment Service agencies. Half of the states adopted WIN demonstration projects in lieu of the traditional WIN program, leading, in part, to a diminished role for Labor in providing employment and training services to welfare clients.[4] In 1988, the Congress replaced the WIN program with the JOBS program. JOBS provided AFDC participants a broad range of services, including education and training assistance, and for the first time states were required to place a specified minimum percentage of adult AFDC participants in education and training activities. Unlike WIN, which had a clear federal role for Labor, the JOBS program was administered at the federal level by HHS and at the state level by state AFDC agencies. However, at the local level, welfare agencies often continued to rely on federally funded workforce development programs, such as the Employment Service, to provide services to JOBS clients. When TANF replaced both AFDC and the JOBS program in 1996, HHS continued to oversee TANF at the federal level, but states were given much more flexibility to determine the nature of financial assistance, the types of client services, and the structure of the program and how services are to be delivered at the state and local levels. More recently, the Congress passed the Welfare-to-Work grant program, which provided a total of $3 billion during

[4]For more background information, see Pamela A. Holcomb, Welfare Reform: The Family Support Act in Historical Context (Washington, D.C.: Urban Institute, Nov. 1993).

fiscal years 1998 and 1999 to help TANF's hardest-to-employ participants obtain jobs. This latest welfare employment and training program is administered at the federal level by Labor in coordination with HHS. At the state and local levels, it is administered through the system that was established for another federally funded workforce development program—JTPA.

In concert with welfare system reforms, the Congress recently passed sweeping new legislation, the Workforce Investment Act of 1998 (WIA), to consolidate and streamline the workforce development system. A key provision of the legislation is to require states to use their fledgling one-stop career center systems to deliver most employment and training services. At the time of WIA's enactment, one-stop centers had begun to be established in all 50 states and were focused on bringing together services for Labor's various employment and training programs. Under WIA, the services provided at one-stop centers are being expanded beyond Labor programs to include federally funded employment and training programs administered by the Departments of Education, Housing and Urban Development, and Veterans Affairs, as well as other programs. Services provided under the TANF block grant, however, are not included in the legislation. Currently, 11 states have had transitional WIA implementation plans approved by Labor; one more state has had its WIA plan approved for full implementation. The remaining states are in the process of developing their WIA plans.

What Research Tells Us About What Works

Over the years, states' welfare-to-work programs have emphasized different goals and philosophies for moving individuals into work and have provided different types of services and activities to help program participants reach these goals. Programs with the goal of rapid employment, also called the "work first" approach, emphasize quick exposure to and entry into the labor force, reflecting the belief that participants can best acquire employment-related skills when they are working, regardless of the quality of the job. These programs' service strategies tend to rely heavily on job search activities, but they may make use of education and training to some extent. On the other hand, programs with the goal of skills-building, often called an education-based approach, usually involve a greater initial investment in clients' education and occupational skills so that when clients do enter the labor market, they can obtain "good" jobs—those with higher pay and opportunity for advancement.

Research conducted to date on the effectiveness of different welfare-to-work approaches, most of which pre-dated federal welfare reform, suggests that programs using a combined approach—including both job search assistance and some education and training—tended to be more effective over a 5-year time period than either approach alone in increasing employment and earnings while reducing welfare payments. In our review of five evaluations begun in the 1980s with relatively long-term results (5 years),[5] we found that programs that focused on rapid employment and job search activities combined with education and training activities more often increased employment and earnings and reduced welfare payments compared with programs that focused solely on job search activities or those that placed the greatest emphasis on education. In addition, preliminary results (2-year findings) from a more recent ongoing evaluation (started in 1992)—and the only evaluation designed to explicitly compare the effectiveness of a rapid employment approach with an education-based approach—found that, while each approach increased participants' employment and earnings, one approach was not clearly better than the other. The rapid employment approach did, however, cost about half as much per person as the education-based approach. Furthermore, research showed that even some of the most successful welfare-to-work programs did not usually move families out of poverty during the time period studied.

While the studies we reviewed provided useful information, more needs to be known about how well different approaches are performing in the current welfare environment, which none of the evaluations covered. The most recently completed evaluations that had 5-year results provided information on welfare-to-work programs operated in the 1980s and 1990s; none included results on programs operated since welfare reform. Currently, HHS is funding 23 studies in 20 states on welfare reforms that began under waivers to the AFDC program and are continuing in the new welfare environment. These studies will provide more information on effective approaches for moving welfare recipients into work.[6]

[5]See Welfare Reform: Assessing the Effectiveness of Various Welfare-to-Work Approaches (GAO/HEHS-99-179, Sept. 9, 1999).

[6]For more information, see Web sites http://www.acf.dhhs.gov/programs/opre/rd&e.htm and http://aspe.os.dhhs.gov/hsp/hspres.htm#outcomes

States Are Changing Their Systems to Emphasize Work

Our studies conducted in 1997 and 1998 found that states have begun changing their welfare systems to emphasize employment for people seeking or receiving cash assistance. In contrast to the JOBS program, states now require more welfare recipients to look for work or participate in work activities; emphasize job placement activities rather than long-term education and training; provide other forms of assistance, such as child care and transportation, to keep families employed and off monthly cash assistance; and focus more on helping families solve problems that interfered with work. To provide these services, many states turned to the workforce development system. However, some states have implemented separate service delivery structures to provide employment-related services to welfare clients only. In addition, we found that the welfare system often established the policies related to employment and training, determining such things as the nature of employment assistance and the type of training to make available to clients.

Services Focus on What Is Needed to Get and Keep a Job

Our work[7] and other studies show that the employment and training approaches in many states have changed from helping clients acquire skills before employment to preparing clients to enter the job market as quickly as possible. When we made site visits in 1997 and 1998 looking at 11 states' early implementation of TANF,[8] most adults receiving TANF were required to work or participate in work-related activities[9]; previously, adults with children under the age of 3—about two-thirds of the caseload—were exempted from work participation requirements. In addition, among the 11 states we visited, most provided employment and training services that focused on preparing TANF clients to enter the workforce quickly. In fact, many states required clients to "test the job market" for a specified length of time before investing in what can be costly assessments or vocational training programs. In some instances,

[7]See Welfare Reform: States' Experiences in Providing Employment Assistance to TANF Clients (GAO/HEHS-99-22, Feb. 26, 1999) and Welfare Reform: States Are Restructuring Programs to Reduce Welfare Dependence (GAO/HEHS-98-109, June 18, 1998).

[8]These states were Arizona, California, Connecticut, Louisiana, Maryland, Massachusetts, Michigan, Ohio, Oregon, Texas, and Wisconsin.

[9]To receive a TANF grant, states must impose work requirements for adults–at least 25 hours per week in fiscal year 1999 (which we call the "minimum work requirement"). States must meet steadily rising requirements for the percentage of adults that must participate in work activities—50 percent by fiscal year 2002. States may decide which activities constitute "work" for the purposes of obtaining assistance, but PRWORA limits what states can count as work to meet their federal participation rate. Allowable work activities for adult recipients include subsidized or unsubsidized employment, on-the-job training, unpaid work experience, community service, vocational educational training, and providing child care services to certain other participants.

applicants were expected to engage in job search activities as soon as they applied for assistance.

In these states, the training focused more on job-readiness skills than on acquiring new vocational skills. This job-readiness training—lasting from 1 to 6 weeks—usually included instruction in preparing resumes, developing interviewing skills, and dressing appropriately for the work environment. Sometimes these readiness training classes were also used to teach employability skills—such as getting to work regularly and on time and resolving interpersonal conflicts appropriately—found to be important in preparing clients with no previous work history for the world of work.[10] In a growing trend under welfare reform, employability skills were also taught by way of experience in the job market, such as trial jobs, unpaid work experience, community service jobs, or subsidized and unsubsidized employment. Nationwide, the percentage of welfare recipients who were working or participating in work-related activities such as work experience or community service increased from 7 percent in 1992 to 27 percent in fiscal year 1998, according to data from HHS.

We also found that vocational and basic skills training, including English as a second language and general equivalency diploma training, was generally reserved for those who needed it to get or keep a job or to advance in a career path. This represented a dramatic shift from services provided under JOBS. Under TANF, we found that skills training was often simultaneous with a work activity and in addition to meeting the minimum work requirement. In the case of English language training, the focus was often on learning vocabulary needed in the work environment. Long-term vocational training was generally declining in these states. For example, in Ohio, where 1 in 3 clients had received job skills training or postsecondary education in prior years, after the state came under federal welfare reform, only about 1 in 10 received such training. Shorter-term skills training—usually not more than a month—had replaced the longer-term vocational training for most clients. These short-term classes were geared toward acquiring specific new skills, such as computer skills; or upgrading current skills, such as typing; or were driven by local employer needs.

Sites like Santa Clara County, California, had traditionally placed a strong emphasis on education and training under JOBS, but officials told us that they, too, had embraced the "work first" approach, having found the education-based approach less successful in moving recipients into work

[10]See Employment Training: Successful Projects Share Common Strategy (GAO/HEHS-96-108, May 7, 1996).

and toward self-sufficiency. While encouraging recipients to find jobs as quickly as possible, however, Santa Clara officials said they have continued to emphasize the importance of education for becoming self-sufficient. They estimated in 1997 that about 25 percent of the county's recipients were able to find jobs with a wage that enabled them to be self-sufficient, but as many as 75 percent would need to combine work with further training to obtain the skills necessary for self-sufficiency.

The extent to which states and localities provided skills training sometimes varied depending on the local economy. In many areas we visited, the strong economy, coupled with entry-level labor shortages, led employers to require little of their entry-level candidates. In Circleville, Ohio, for example, we were told that many employers did not require high school diplomas as a condition of hire, and therefore TANF clients readily obtained jobs that met their work requirements without being given skills training. On the other hand, in Ironton, Ohio, where unemployment rates were well above the statewide average and clients often lacked high school diplomas, employers demanded higher skill levels of their new hires.

As many welfare offices increased their emphasis on employment and work-related activities, they also began to focus more on helping clients address and solve problems that interfered with work, in some cases "diverting" families from monthly cash assistance. In our work in 1997[11] we found that many states used some of their additional budgetary resources under TANF[12] to provide services to help TANF families address barriers to employment, including lack of child care,[13] lack of transportation,[14] and complex mental and physical health problems. In addition, states sometimes provided other forms of assistance, such as one-time, lump-sum cash payments and assistance with job search, in an attempt to keep families from needing monthly cash assistance. One-time cash payments can help families catch up on rent, repair the car, or get through a medical emergency, thereby allowing them to more readily get or keep a job. A study sponsored by HHS showed that as of August 1998, 31

[11]See GAO/HEHS-98-109, June 18, 1998.

[12]For more information, see Welfare Reform: Early Fiscal Effects of the TANF Block Grant (GAO/HEHS-98-137, Aug. 18, 1998).

[13]For more information on welfare reform and child care, see Welfare Reform: State Efforts to Expand Child Care Programs (GAO/HEHS-98-27, Jan. 13, 1998).

[14]See Welfare Reform: Transportation's Role in Moving From Welfare to Work (GAO/RCED-98-161, May 29, 1998) and Welfare Reform: Implementing DOT's Access to Jobs Program (GAO/RCED-99-36, Dec. 8, 1998).

states had reported using at least one "diversion" strategy in at least part of the state.[15] A 1999 Rockefeller Institute review of 20 states' welfare programs found that states and localities had developed a range of diversion programs.[16] For example, a diversion program in Texas allowed caseworkers to provide families with employment counseling or refer them to public or private agencies for a variety of services. Arizona's diversion program offered families emergency shelter, rent or mortgage assistance, or assistance with utility payments. In addition to diverting clients from the welfare rolls, states were also providing services to families that had left the rolls as a result of employment, including, in some cases, providing case management services to help ensure that families could deal with problems that could jeopardize employment.

Workforce Development and Welfare Systems Are Still Largely Independent

To provide employment and training services to welfare clients, the workforce development and welfare systems are still operating largely as two separate systems. In our visits to five states in 1998, we found that, at the state level, only one—Wisconsin—had fully integrated its welfare and workforce development systems into a single agency. In the other four states, where workforce development and welfare systems were not integrated, only Michigan used its workforce development agency to establish employment and training policies for TANF clients. In the remaining three states, the welfare system established the employment and training policies for the states' TANF clients, deciding such things as the nature of employment assistance and the type of training to make available to clients. Only in Wisconsin had the organizational structure changed from what existed before welfare reform. However, all five states were continuing to make changes in their workforce development and welfare systems to respond to the new environment under welfare reform.

At the local service delivery level, the workforce development system was called upon throughout the state in Wisconsin, Michigan, and Massachusetts to deliver employment and training services to TANF. In addition, in some locations in Ohio (a state with county-based TANF policymaking), county welfare agencies used the workforce development system to provide services. When services were provided by the workforce

[15]See Kathleen Maloy and others, A Description and Assessment of State Approaches to Diversion Programs and Activities Under Welfare Reform (Washington, D.C.: George Washington University, Aug. 1998). See also Kathleen Maloy and others, Diversion as a Work-Oriented Welfare Reform Strategy and its Effect on Access to Medicaid: An Examination of the Experiences of Five Local Communities (Washington, D.C.: George Washington University, Mar. 1999).

[16]See Richard P. Nathan and Thomas L. Gais, Implementing the Personal Responsibility Act of 1996: A First Look (Albany, N.Y.: Federalism Research Group, The Nelson A. Rockefeller Institute of Government, 1999).

development system, they were usually provided through one-stop career centers. One-stop centers were used statewide in Wisconsin and Michigan; however, they played somewhat different roles in each state. In Wisconsin, all services to welfare clients—including eligibility determination—as well as services to nonwelfare clients were available at the one-stop center. In contrast, Michigan's eligibility determination was performed at the local welfare office, and TANF clients were then referred to a one-stop career center to receive employment and training assistance, often side by side with nonwelfare clients. Services in Massachusetts, however, were brought to TANF clients at the welfare offices by the workforce development or one-stop center staff rather than sending the TANF clients to the local workforce development agency or one-stop center to receive those services. Massachusetts' workforce development officials told us that they provided employment and training assistance in welfare offices as a convenience to the client and to facilitate a client's easy transition to meeting work requirements and obtaining other supportive services.

Rather than use the workforce development system to provide employment and training services, Arizona and some locations in Ohio had developed separate welfare-dedicated centers to serve their welfare clients. These structures were designed to provide all TANF-related services, including eligibility and employment and training services in one location. Nonwelfare clients received their employment and training services elsewhere, often through one-stop career centers that were being developed concurrently, but these one-stop centers generally did not serve TANF clients in Arizona. Similarly, four counties in Ohio at the time of our visit were developing welfare-dedicated centers to serve their TANF clients.

The welfare system—through TANF funds—and not the workforce development system was the principal source of funding for work-related services for TANF clients. In fact, even where the workforce development system was providing services to the state's TANF clients, it was doing so largely with TANF funds, even though these clients could also obtain services funded by the workforce development system, such as through the JTPA Title IIA program. Nationwide, the use of the JTPA Title IIA program to serve TANF clients had generally begun to decline at the time of our visits. From July 1995 through June 1997, the proportion of JTPA Title IIA clients who were also receiving AFDC/TANF benefits declined in thirty-four states, with declines as high as 19.1 percentage points in New Hampshire. In four of the five states visited during our 1998 site visits, the declines continued through June 1998. The declines in these states ranged from 8.8 percentage points in Massachusetts to 5.2 percentage points in

Arizona over the 3-year period. Only Wisconsin, with an integrated workforce development and welfare system, showed an increase—9.1 percentage points—of JTPA Title IIA clients who were also AFDC/TANF clients.

During our visits to the five states, no clear-cut answer emerged as to which service delivery approach—using the traditional workforce development or the welfare-dedicated structures—worked best in meeting the employment and training needs of welfare clients in these states. State and local officials we spoke with differed about where they believed welfare clients' needs are better served. The philosophy of the one-stop career center system, as well as the workforce development system as a whole, has been one of serving a "universal population"—services are available to all clients, with some services for some clients funded out of targeted, categorical programs. In this view, welfare clients are seen as similar to all other job seekers, obtaining employment and training services, side-by-side with all other clients, from service providers who specialize in the field of employment and training. According to HHS officials at the time of our visits, 17 states used one-stop career centers or other traditional workforce development structures as the primary means to deliver employment and training services to welfare clients. An alternative approach to serving welfare clients in workforce development structures is to provide services to these clients in centers that target all services to welfare clients only. These centers are usually staffed by service providers who specialize in the needs of welfare clients, and they often include workers who specialize in determining program eligibility. These welfare-only centers can also provide welfare clients with a range of other related services, including child support enforcement services, help with finding child care, and screening for domestic violence and mental health problems. In this latter approach, welfare clients are seen as having unique needs that are better served by individuals with special knowledge of welfare and welfare-related issues. HHS officials reported that, at the time of our visits, 14 states had established welfare-only centers as the primary means to provide employment and training services to TANF clients.

Most Adults in Former Welfare Families Were Employed at Some Time After Leaving Welfare, Often at Low-Wage Jobs

Given the large decline in the number of families receiving welfare—47 percent between January 1994 and March 1999—greater attention is being focused on learning how these families are faring. The information available from some states and national sources indicate that most families who left welfare had at least some attachment to the workforce. There are no federal requirements for states to report on the status of former welfare recipients. As a result, the only systematic data at the state level on families who left welfare come from research efforts initiated by states. During our review on the status of former welfare recipients,[17] we identified studies from seven states[18] that provided representative data on families leaving welfare. Because the seven states' studies differed in key ways, including time periods covered—from as early as 1995 to as late as 1998—and categories of families studied, the results are not completely comparable among the studies. However, the studies provided information on the status of families who had left welfare in these states at the time of the studies and, because certain results are consistent across the studies, suggest a pattern of what was happening to such families.

Seven of the state studies reported that most of the adults in families remaining off the welfare rolls were employed at some time after leaving welfare. Employment rates ranged from 61 to 87 percent for adults in the families who left welfare in these seven states. However, the employment rates were measured in different ways. Studies measuring employment at the time of follow-up reported employment rates from 61 to 71 percent. Studies measuring whether an adult in a family had ever been employed since leaving welfare reported employment rates from 63 to 87 percent. These employment rates generally excluded families who returned to welfare, which can be a substantial portion of the families who leave welfare.[19] The percentages of the families who initially left welfare and then returned to the rolls ranged from 19 percent after 3 months in Maryland to 30 percent after 15 months in Wisconsin.

Turning to the incomes of those who left welfare, former recipients in these seven states had average quarterly earnings that generally ranged

[17]See Welfare Reform: Information on Former Recipients' Status (GAO/HEHS 99-48, Apr. 28, 1999).

[18]The states are Indiana, Maryland, Oklahoma, South Carolina, Tennessee, Washington, and Wisconsin.

[19]Removing families who return to welfare from the employment rate calculations results in higher employment rates than when they are included, since many former recipients who return to the welfare rolls are not employed.

from $2,378 to $3,786—or from $9,512 to $15,144 annually.[20] This estimated annual earned income is greater than the maximum annual amount of cash assistance and food stamps that a three-person family with no other income could have received in these states.[21] However, if these earnings were the only source of income for families after they leave welfare, many of them would remain below the federal poverty level.[22] While the studies provide information on individuals' earned incomes, much remains unknown about families' total household income, such as earnings by other household members, child support payments, or financial assistance from relatives and friends, or about receipt of income supports such as Medicaid, food stamps, subsidized child care, and the earned income tax credit. However, a recent study, performed after our review by the Center on Budget and Policy Priorities, suggests that the very poorest single-mother families—those at 55 percent of the federal poverty level—experienced a loss in income between 1995 and 1997, even when the incomes of others residing in the household were taken into account. The study linked this loss to a reduction in public assistance received by these families.[23]

While we could not draw conclusions about the status of most families that have left welfare nationwide on the basis of studies in several states, a recently issued study on the status of families nationwide indicate similar findings. On the basis of a 1997 survey of a nationally representative sample of families, the Urban Institute reported that 61 percent of the former recipients who were still off welfare at the time of the interview were working, with a median wage of $6.61. For the families with earnings, the median amount of monthly earnings was $1,149. The study also found that nearly 30 percent of those who left welfare in 1995 were receiving welfare benefits again in 1997. A significant percentage of former welfare recipients were not working—20 percent neither had jobs nor lived with spouses who had jobs.[24]

[20]We estimated the amounts of annual incomes by extrapolating the quarterly earnings; the states did not provide information on annual earnings.

[21]In these seven states, for a single-parent, three-person family with no income, the maximum annual amount of cash assistance and food stamps combined ranged from $6,000 in Tennessee to $9,744 in Washington as of Jan. 1997.

[22]For 1998, the federal poverty level for a family of three was $13,650.

[23]Wendell Primus, Lynette Rawlings, Kathy Larin, and Kathryn Porter, The Initial Impact of Welfare Reform on the Incomes of Single-Mother Families (Washington, D.C.: The Center on Budget and Policy Priorities, Aug. 22, 1999).

[24]Pamela Loprest, How Families That Left Welfare Are Doing: A National Picture, Series B, No. B-1 (Washington, D.C.: Urban Institute, Aug. 1999).

Challenges Ahead as Welfare Reform Continues to Evolve

On the basis of our work in several states, we have already seen some of the effects of the dramatic changes related to state and federal welfare reform on states' workforce development systems. We expect even more changes in the future, as the two systems continue to respond to changing dynamics—dynamics that include states' increasing focus on supporting low-income workers under welfare reform. As welfare reform and the workforce development system evolve, attention should be given to several emerging issues, including getting jobs for the hardest-to-employ, finding ways to enhance opportunities for low-wage workers, and fostering greater collaboration between the workforce development and welfare systems.

Getting Jobs for the Hardest-to-Employ

As states must meet steadily rising work participation rates, they must require an increasingly greater proportion of their welfare caseloads to participate in work-related activities—including some recipients who may have been exempted previously or who are less job-ready. As a result, even if economic conditions remain favorable, states' initial successes with moving applicants and recipients into employment will probably slow over time. In response, states will need to adjust their approaches to better enable families with a range of problems to take steps toward becoming more self-supporting. Finding ways to involve the recipients who remain on the welfare rolls in work activities was one of the most challenging and widespread implementation issues cited in many of the states we visited. The Welfare-to-Work grants provided added funding to allow states to experiment with different approaches, and states developed plans to use these funds to meet local needs. For example, Michigan's and Wisconsin's plans emphasized assistance to unemployed noncustodial parents—individuals who often have child support payments in arrears that result in dependents seeking welfare cash assistance. Massachusetts' plan focused on serving TANF recipients who were reaching their time limits on cash assistance. One area in New York planned to have staff available 24 hours a day to assist the hardest-to-employ TANF recipients find and keep jobs. While TANF and Welfare-to-Work grant funds are available to provide a variety of services to the hardest-to-employ, little is known about how best to help these individuals move to economic self-sufficiency, largely because they have often been exempted in the past from participating in work. More research and evaluation will be needed to identify approaches that show the most promise for working with these welfare families.

Finding Ways to Enhance Opportunities for Low-Wage Workers

Our work and other studies consistently show that many of the families leaving welfare are employed in low-wage jobs. While many former welfare recipients are now employed, these families' prospects for achieving a measure of economic stability remain an important issue, especially in light of prior research showing that AFDC mothers have generally experienced little rise in wages over time.[25] Some states and localities have undertaken efforts to help these former welfare recipients, as well as other low-wage workers, upgrade their skills to improve their job prospects.[26] Michigan, for example, set aside $12 million in 1998 for postemployment training for TANF clients who were already meeting their work requirements. Similarly, Wisconsin had a $1 million Employment Skills Advancement Program under which poor working parents—including TANF clients—received grants for attending vocational training or education programs. This focus on serving clients engaged in work may require establishing new service strategies, such as offering training in the evenings and on weekends, and providing for the child care needs of participants. It may also mean broadening the coverage of existing federally funded training programs through the workforce development system to clearly embrace those already in the workforce, such as through continued training after employment.

Collaboration Between the Workforce Development and Welfare Systems

When we did our fieldwork in 1998,[27] we observed that the workforce development and welfare systems were still largely independent. When the Congress authorized the Welfare-to-Work grant program, it provided an opportunity for the two systems, in those states that participated, to collaborate. However, we also found that, because TANF funds were plentiful and flexible, the need for additional resources alone was not sufficient to bring together the workforce development and welfare systems in the states we visited. With the passage of WIA and the expansion of one-stop career centers, states and localities have an opportunity to reassess how services are coordinated and delivered. Providing TANF services through these centers is a state and local option, and some states

[25]See Gary Burtless, "Employment Prospects of Welfare Recipients," The Work Alternative: Welfare Reform and the Realities of the Job Market, Demetra Smith Nightingale and Robert H. Haveman, eds. (Washington, D.C.: Urban Institute Press, 1995).

[26]See Rebecca Brown and others, Working Out of Poverty: Employment Retention and Career Advancement for Welfare Recipients (Washington, D.C.: National Governors' Association and HHS, 1998); Mark Elliott, Don Spangler, and Kathy Yorkievitz, What Next After Work First? (Philadelphia, Pa.: Public/Private Ventures, Spring 1998); and Brandon Roberts and Jeffrey D. Padden, Welfare to Wages: Strategies to Assist the Private Sector to Employ Welfare Recipients (Chevy Chase, Md.: Brandon Roberts and Associates, Aug. 1998).

[27]See Welfare Reform: States' Experiences in Providing Employment Assistance to TANF Clients (GAO/HEHS-99-22, Feb. 26, 1999).

may call upon the centers to deliver at least some services to welfare clients. Many states are already doing so. It is too early to know whether the various reforms and collaborative efforts will lead to greater flexibility and cooperation in providing services. As the implementation of WIA unfolds, more research will be needed to determine how one-stop career centers can be most effective in meeting the employment and training needs of all clients, including welfare clients and low-income workers, and how the structure of the federal programs in WIA can provide for more efficient program operation.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you or other Members of the Subcommittee may have.

GAO Contact and Acknowledgments

For future contacts regarding this testimony, please contact Cynthia M. Fagnoni at (202) 512-7215. Individuals making key contributions to this testimony included Sigurd Nilsen, Gale Harris, and Dianne Blank.

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